PRESENTATION

TO THE TECHNICAL COMMITTEE • RESPECTING

MEDICAL SERVICE INSURANCE • BILL 163

ASSOCIATED
MEDICAL
SERVICES INC

J. A. HANNAH, B.A. M.D. C.M./MANAGING DIRECTOR

Small company - 250,000 subscribers.
Limited plan - no specialist fees included
Also limitations on surgery - Obs etc.

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RESPECTING MEDICAL SERVICE INSURANCE • BILL 163

BY ASSOCIATED MEDICAL SERVICES INCORPORATED

J. A. HANNAH, B.A., M.D., C.M., MANAGING DIRECTOR

NOVEMBER, 1963 • TORONTO • ONTARIO

INDEX

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THE OBJECTS

of

ASSOCIATED MEDICAL SERVICES, INCORPORATED

The Objects of AMS are stated in their Charter to be:-

(a) TO arrange for the provision to others of any or all services required in the prevention, diagnosis or treatment of illness as recognized by legally qualified medical practitioners in the Province of Ontario on a non-profit, prepayment and voluntary basis;

(b) FOR the purposes aforesaid to establish reserves and administer the same;

(c) TO encourage medical research and preventive medicine;

(d) TO co-operate with organized medicine in the advancement of the standard of medical services; and

(e) TO do all such other things as are incidental or condusive to the attainment of the above objects.

1. In order to fully appreciate the impossible position in which the Prepaid Plans would be placed, if Bill 163 becomes law in its present form, there must be an understanding of the reasons why the two principles of "non-profit" and "voluntary" were adopted as being essential to the developments which have taken place since the incorporation of AMS in 1937.

2. A brief statement of these facts will be found in the "Foreword" which follows in this presentation.

SUMMARY AND RECOMMENDATIONS

1. THAT the Committee recognize and fully appreciate and bring home to the Government of Ontario that there is a distinct and essential difference between the business of insurance and non-profit prepayment for the cost of medical care.

2. THAT the Committee recognize that Bill 163, if it becomes law as it now stands, will destroy the basis on which the Prepayment Plans operate and cause a reversion to the pre-1937 days in which those who carried "Health and Accident" insurance were eliminated from coverage if they developed "high cost" conditions, or reached the age of 65. Conditions such as poliomyelitis, multiple sclerosis, etc., were excluded entirely. These inequities have been largely eliminated since the Prepayment Plans came into existence in 1937.

3. THAT the threat of destruction of the prepaid concept will be eliminated if sections 5 and 6 of Bill 163 are altered so that each carrier MUST accept responsibility on the

standard plan for any and all residents who may be terminated for any reason from any of that carrier's plans, so that they will be covered not only during the "healthy" and "profitable" period of life but all the way to the grave. This has been done by the Prepaid Plans for up to 25 years.

4. We have included in the body of our brief, the simple amendments which will accomplish this end, without in any way increasing the basic demands on any carrier. It will, however, prevent unfair "dumping" of liability from one carrier to others, as will be possible, and indeed probable, under Bill 163 as it now stands.

5. Under the arrangements we suggest above, it will only be necessary to establish "pooling" for those who at the effective date of the Act have not availed themselves of the privileges which have existed for 20 to 25 years. This "pool" will be a decreasing entity and the need for it will eventually disappear since it will no longer (under the arrangements suggested above) be fed from the bottom by the "high cost" cast-offs once the possibilities of a

are taken [illegible] and [illegible] clients who may be [illegible] for any reason [illegible] considerable [illegible], [illegible] they will [illegible] only during the [illegible] and "profitable" [illegible] life but all the way [illegible]. This has [illegible] the [illegible] [illegible].

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profit has been materially reduced, either through chronic illness or advancing years. Under the circumstances we suggest, AMS is prepared to share in pooling any losses experienced on this limited group. It is essential that a limit be placed on the time permitted these people to join. Otherwise, the "chisellers" will be able to remain out indefinitely until they have knowledge of a "high cost" condition being present, and then come in and consume the reserves built up by the prudent over the years and to which the "chiseller" has not contributed.

6. AMS is of the opinion that Bill 163 is so late in its appearance and so inadequate in its concept that long before it will be possible to have the legislation set up and operating satisfactorily, every resident in Ontario will have had the opportunity to enroll, irrespective of age or health. The Prepaid Plans have been gradually doing this programme one way or another for several years now.

7. AMS has considerable reservations that it will be possible to persuade the balance of the population to "voluntarily" sign up, irrespective of the terms offered. Those not now

covered have decided (mainly for selfish or personal reasons) that they do not want coverage and Bill 163 offers no additional inducements.

8. A careful study of Bill 163 leads us to the conclusion that it misses the real point of difficulty in the whole situation, viz. it concerns itself only with how to pay for costs but neglects all the factors contributing to costs. Indeed, it will probably become one of the leading contributors to increasing costs. Control of costs of medical care is of equal or greater importance than how to meet them. In our opinion, these two factors will not be co-ordinated until it is recognized that this is the primary responsibility of organized medicine, and can and will only be brought about when it affects the personal finances of each individual doctor. That body will continue to dodge its responsibility until it is forced to accept them as is done under the Medical Welfare Plan in Ontario.

9. Finally, Mr. Chairman, AMS is most anxious to assist in any way possible in solving this problem. Our approach during the past 26 years may have been unorthadox in many

respects as related to the Insurance Industry, but generally speaking, the Prepaid Plans have been successful. We have prepared a much more detailed study in respect of this problem but have refrained from presenting it in view of the fact that it has been repeatedly intimated to us that all we are permitted to discuss is "how to make Bill 163 work in such a manner as will least disturb the normal methods of operation of the various carriers". If the changes we have suggested in sections 5 and 6 of Bill 163 are made, AMS is of the opinion that we "can live" under it, but is not at all convinced that we can contribute as much in the future under it as we have in the past 26 years without it.

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FOREWORD

1. At the outset, in order to appreciate and keep our point of view in perspective it is necessary to thoroughly understand the only reason AMS has for existence.

2. To start with, we have every respect for honest and sincere business based on the profit motive. Business is, however, something far removed from the minds of the sick and those whose responsibility it is to treat them. This may be why the doctor for so long as been regarded as "an angel" during illness, but when he presents his bill--"an agent of the devil".

3. It was in recognition of this divergence of interests and concepts that AMS was organized in 1937 on the non-profit basis. It was hoped (and to no small extent that hope has now been realized) to reconcile the apparent conflict between these two ways of life, each of which is so essential to the other.

4. In our earlier studies extending from 1931 to 1937, we recognized that the insurance principle has very definite and useful applications to spreading the unpredictable risk of the cost of illness over the population as a whole, as compared to the overwhelming

proportion of such costs falling on the shoulders of the very small portion of the population who fall ill during any given period of time. To be really effective and fair to all concerned, the spread must reach everyone in the community and on an equalized basis, whether they be old or young; "high cost", on which a profit cannot be made; or "low cost" on which a profit can be made.

5. On the other hand, it was recognized that (as opposed to the application of the insurance principle to the spread of the costs of illness) the actual business of insurance has as its primary motivating factor, as has every other business, the production of profits, and here we were right back into the old conflict.

6. In due course, our studies made it apparent that the only possible solution lay in utilizing and applying the sound principles underlying business operations, but changing the motivation from profit to that of producing a sound basis for the economics necessary to make the whole field of the cost of medical care self-sustaining.

7. It was recognized that this approach to such an idealistic objective would materialize slowly and be beset by many difficulties, not the least of which would be conflict with those who have a vested

primary economic interest in securing profits from the practice of medicine, whether such interests arose within the profession or from the business world, particularly those in the insurance field.

8. At first, the whole project was dismissed as the vaporous dreams of an impractical theorist (we were visited by representatives of most of the leading insurance companies in Canada and some from the USA). It was not until after we had demonstrated the practicality of many of our concepts that we began to be copied. It was only when it became apparent that the non-profit prepayment concept is enrolling at least two to one in all other carriers that the Insurance Industry in 1957 or 1958 approached the Prepayment Plans with their concept of "pooling".

9. It was obviously apparent to the Prepayment Plans that "pooling" was a reversion to the pre-1937 days of the insurance concept based on sound business profit motives, in which for insurance purposes, the "high cost" portion of the population, including those over the age of 65, must be segregated from the insurable and profit-producing, younger portion of the population.

10. Obviously, since the Prepayment Plans are dedicated to establishing a system of medical economics to cover the cost of

illness in the population as a whole, whether they be high cost or not, the suggestion of "pooling" was and is inimical to their concepts and purposes.

11. These interests have come to realize that our "idealistic objective" is much more than the "vaporous dreams of an impractical theorist".

12. Our own appreciation that once our approach had been proven to be practical, we would be beset by determined efforts to eliminate us from the field has been substantiated and, in our opinion, has culminated in Bill 163 of the 1962-63 Legislature of the Province of Ontario. There is no doubt in our mind that whether by intent or otherwise, through Bill 163 as it presently stands, we are faced with the ultimatum: Conform to the concepts of the Insurance Industry or be eliminated.

13. The fact that the Ontario Legislature has established the Sub-Committee On Medical Services Insurance indicates to us that it is their desire to avoid such an unfortunate error. Had the Prepaid Plans been represented at the drafting of Bill 163, as well as the Insurance Industry and a few of the Executive of the CMA, this error would probably not have been included in the Bill.

15. The following short presentation indicates the slight changes necessary to assure that the Prepaid Plans can continue to develop their original purposes and objects with the same degree of satisfaction to both the public and the profession as has been so apparent during the past 26 years' progress.

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AMENDMENTS RECOMMENDED
by
ASSOCIATED MEDICAL SERVICES, INCORPORATED
to allow
LEGISLATION SUCH AS BILL 163
to
OPERATE WITH EQUITY AND FAIRNESS
TO ALL CONCERNED

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1. Associated Medical Services has ample evidence (2,555 signed resolutions) that the general body of the medical profession in Ontario do not want developments as they have evolved during the past 26 years to be disturbed. There is also other evidence to substantiate this fact which can and will be produced and used if it becomes necessary.

2. Bill 163 as it stands is a reversion to the pre-1937 days in which "Health and Accident" insurance business was operated on the basis of producing a profit for the carrier rather than protecting the insured once he had contracted a high cost condition such as coronary thrombosis, multiple sclerosis, etc., etc. This was entirely unsatisfactory for the insured who could be cancelled at the next anniversary date, or could have the costly condition excluded from responsibility.

3. With the development of the Prepaid Plans, this no longer obtained and the age limit of 65 was also abolished. True, the change was evolutionary, but sound, rather than sudden and catastrophic. It has, however, been so effective that more than 70% of the population of Ontario has now some form of coverage of their choice. If to this be added the indigent and near-indigent (whom the Ontario Government proposes to subsidize) the percentage may approximate 80%. It is doubtful if any greater percentage will voluntarily take such coverage. There will always be the "imprudent" or "chiseller" who will wait until catastrophe strikes and then complain that he is not getting his medical bills paid--nothing in Bill 163 alters this in any way.

4. For twenty-six years now, AMS has been covering the "high cost" and "over 65" groups. In this latter category, AMS has one subsc riber over the age of 65 enrolled for each 10.2 under 65. The ratio in the normal population is 1 : 11.2. WMS show a ratio of 1 : 12.5, and PSI 1; 25.3. It is stated to be 1 : 26.3 in the Insurance Industry.

5. Bill 163 proposes that the "high cost" and the "over 65" dropped on reaching either of these states MUST be given coverage from anyone to whom they apply. Since the Insurance

Industry regard this as the normal and the only way in which it can do business, and since Insurance "experience rates", Bill 163 as presently proposed gives those operating on these basis a singular advantage--when the resident is young he can get a low rate under "experience rating". However, when he becomes "high cost" or "old", community rating offers a greater advantage. It will thus be apparent that the Insurance Industry stands to have a double advantage under Bill 163 in that, being able to unload the "high cost" and "over 65", they will be able to offer a much more attractive rate to the younger groups.

6. Under Bill 163 as now constituted, the Prepaid Plans will become overloaded with such people unless they abandon their basic concept of solving the problem of medical economics on the community service basis, and join in "pooling" and go to experience rating. This is, indeed, an indirect but extraordinarily effective way of forcing everyone into the insurance concept.

7. In order to eliminate this undesirable feature from Bill 163, AMS proposes that each and every carrier MUST "offer for sale and issue" the standard plan to their own subscribers at or below the maximum price set. It should, however, not be

mandatory that other carriers must do so, although they may do so on a voluntary basis.

8. Such a change in Bill 163 would not require more of the carrier than it presently demands. Indeed, the compulsory features are somewhat reduced, in that a carrier is not compelled to look after other than its own subscribers. It has the virtue that the carrier who enjoyed the "profits" during the younger years of life of the insured would not be able to unload the "high cost" and "over 65" on the community rated Plans.

9. Changing the present reading of Sections 5 and 6 to the following would be all that is required to make Bill 163 fair and equitable to all and to disturb as little as possible the normal methods of the Insurance Industry as well as the Prepaid Plans: (see page 16 for a revision of sections 5 and 6 of Bill 163 as proposed by AMS)

10. AMS is prepared to share in the cost of giving those not now covered an opportunity to get coverage, provided the enrollment time be limited, after which such people should be made to bear the responsibility of their own negligence. Unless such limitations are placed, no scheme can be made solvent and

Condition precedent to writing medical services insurance

5. No carrier shall sell or provide or offer to sell or provide any form of medical services insurance unless,

(a) it offers for sale and issue,

(i) guaranteed renewable standard medical services insurance contracts, and

(ii) guaranteed renewable standard in-hospital medical services insurance contracts,

to residents who are not dependents, other than a spouse, and who apply and pay the subscription therefor and who are not already subscribers or policy-holders in any plan of medical services insurance at the effective date of this Act, and

(b) it offers to sell and issue upon application and payment of the appropriate subscription or premium such standard medical service contract to residents who are subscribers to, or policy-holders in, any plan of medical services insurance issued by that carrier but who wish to discontinue, or are obliged to discontinue their coverage by reason of age or because they cease to be members of an enrolled group, or for any reason other than fraud or failure to pay subscription or premium; and

(c) it is a member in good standing of Medical Carriers Incorporated.

Greater benefits

6. (a) Nothing in this Act prevents a carrier from providing benefits under contracts of medical services insurance greater than those set forth in Schedules A and B.

(b) Nothing in this Act shall oblige a carrier to offer for sale or issue any form of medical services insurance to any resident who is enrolled at the effective date of this Act or subsequently in any form of medical services insurance issued or provided by any other carrier.

the "chiseller" will always be in an advantageous position at the expense of the honestly prudent.

11. AMS has a much more detailed study ready (running to some 70 pages, including appendices). We do not propose to burden the Committee with this more extensive study unless they so desire and/or we deem it necessary.

12. All of which is respectfully submitted on behalf of Associated Medical Services, Incorporated.

J. A. HANNAH, B. A., M. D., C. M.,
Managing Director
ASSOCIATED MEDICAL SERVICES, INC.

JAH/bes
November 15, 1963.